

## Message Text

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TO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: EGEN , ECE

SUBJECT:ECE -- REVISIONS IN U.S. SECTION OF ECE STEEL  
COMMITTEE PUBLICATION, THE STEEL MARKET IN 1974.

1. IT IS REQUESTED THAT THE MISSION TRANSMIT TO ECE  
SECRETARIAT THE FOLLOWING SUGGESTED REVISIONS TO PARA-  
GRAPHS 11, 23, 29, AND 35 OF THE DRAFT TEXT OF "THE  
STEEL MARKET IN 1974" (STEEL/WP.1/R.3/ADD 1).BEGIN TEXT:

PARA 11: IN THE UNITED STATES, IN CONTRAST TO THE DOWN-  
WARD DRIFT OF THE ECONOMY BY YEAR'S END, ACTIVITY IN THE  
IRON AND STEEL INDUSTRY IN 1974 WAS AT A HIGH LEVEL. FOR  
THE FIRST EIGHT MONTHS OF THE YEAR, THE RATE OF DELIVERIES  
WAS RUNNING AT MORE THAN ONE MILLION TONNES AHEAD OF THE  
1973 PACE, BUT IN THE LAST FOUR MONTHS, SHIPMENTS DECLINED  
SOMEWHAT BECAUSE OF THE IMPACT OF THE COAL STRIKE AND  
PARTICULAR PRODUCTION BOTTLENECKS. THE HIGH LEVEL OF  
STEEL DELIVERIES DURING THE JANUARY-SEPTEMBER PERIOD WAS  
ATTAINED DESPITE THE FACT THAT SHIPMENTS TO THE AUTOMOBILE  
SECTOR WERE DOWN BY 3.9 MILLION TONNES AND EVEN SHARPER  
DECLINES WERE EXPERIENCED IN SHIPMENTS TO A NUMBER OF  
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PRODUCERS OF CONSUMER DURABLES. THE STRENGTH OF STEEL  
DEMAND IN 1974 WAS MAINLY IN ENERGY-RELATED INDUSTRIES,  
SHIPBUILDING, RAILWAYS AND PLANT CONSTRUCTION, WHILE

ACTIVITY IN THE MOTOR VEHICLE, APPLIANCES, AND RESIDENTIAL BUILDING SECTORS WAS OFF. BECAUSE OF THE THREAT OF A COAL STRIKE LATE IN THE YEAR, STOCKBUILDING BY AMERICAN STEEL BUYERS WAS SUBSTANTIAL, LARGELY ACHIEVED BY SHARPLY HIGHER IMPORTS IN THE FOURTH QUARTER. ESTIMATED LOSSES IN STEEL SHIPMENTS BY AMERICAN STEELMAKERS BECAUSE OF THE COAL STRIKE AMOUNTED TO OVER ONE MILLION TONNES. THE CAPACITY UTILIZATION IN 1974 WAS ABOUT 94 PERCENT, SLIGHTLY BELOW THE LEVEL OF 1973, WHICH WAS ESTIMATED AT 95.6 PERCENT.

PARAGRAPH 23: DOMESTIC STEEL PRICES WERE CONTROLLED IN THE UNITED STATES IN THE FIRST 4 MONTHS OF THE YEAR. DECONTROL OF PRICES AND INCREASING COST OF STEEL-MAKING RESULTED IN A SUBSTANTIALLY HIGHER PRICE STRUCTURE IN THE LAST 8 MONTHS. TIGHT DOMESTIC SUPPLY THROUGHOUT 1974 INFLUENCED PRICES, PARTICULARLY IMPORT PRICES; WHEN SUPPLY WAS SHORT, MANY STEEL CONSUMERS PAID PREMIUM PRICES FOR HEAVY PLATES AND PIPE. ACCORDING TO THE U.S. BUREAU OF LABOR STATISTICS INDEX OF WHOLESALE PRICES, THE PRICE OF STEEL MILL PRODUCTS ROSE 26.8 PERCENT IN 1974 COMPARED WITH 1973.

PARAGRAPH 29: ANOTHER IMPORTANT FEATURE IN INTERNATIONAL TRADE IN 1974 WAS THE DECISION NOT TO EXTEND BEYOND ITS TERMINATION AT THE END OF 1974 THE AGREEMENT CONCERNING SHIPMENTS TO THE UNITED STATES FROM JAPAN AND THE COMMUNITY COUNTRIES. IN RECENT YEARS, HOWEVER, THE ALLOCATED QUOTAS WERE NOT FULLY USED BY THE EXPORTERS CONCERNED; IN 1972 THE UNITED STATES IMPORTED 16 MILLION TONNES; IN 1973, 13.7 MILLION TONNES, AND IN 1974 ABOUT 14.5 MILLION TONNES. ACCORDING TO TRADE FIGURES IMPORTS FROM THE COMMUNITY COUNTRIES COMPARED WITH 1973 FELL BY 1.3 PERCENT TO 6.4 MILLION TONNES AND REMAINED 23 PERCENT BELOW THE AGREED QUOTA FOR 1974, WHICH WAS SET AT 8.3 MILLION TONNES. JAPAN WITH SHIPMENTS OF 6.2 MILLION TONNES WAS ALSO SHORT OF ITS ALLOCATED QUOTA (BY 0.7 MILLION TONNES). IT WOULD APPEAR THAT THE FALLING EXPORTS TO THE UNITED STATES CAN BE PARTLY ASCRIBED TO THE FACT

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THAT OUTLETS TO OTHER MARKETS BECAME MORE FAVORABLE. ON THE OTHER HAND, THE QUESTION OF PRICE RELATIONSHIP IN INTERNATIONAL STEEL TRADE SHOULD BE MENTIONED, TAKING INTO ACCOUNT THE REVALUATION OF CERTAIN CURRENCIES AND THE DEVALUATION OR FALLING EXCHANGE RATE OF THE UNITED STATES DOLLAR.

PARAGRAPH 35: IN THE UNITED STATES, CAPITAL EXPENDITUS IN 1974 AMOUNTED TO 2.1 BILLION DOLS. THE YEAR UNDER REVIEW WAS A TURNING POINT FOR THE COUNTRY'S IRON AND STEEL INDUSTRY. AMERICAN STEELMAKERS CLEARLY RECOGNIZED

THE NECESSITY TO EXPAND AND TO MODERNIZE; AMONG OTHER THINGS, THEY SEE THE NEED TO INCREASE CRUDE STEEL CAPACITY BY 23 MILLION TONNES BY 1980 AND TO REPLACE AN EQUAL AMOUNT OF EXISTING INSTALLATIONS. AMONG THE MANY INTERESTING PROJECTS, MENTION IS MADE OF INLAND STEEL CORPORATION'S GIANT BLAST FURNACE (HEART DIAMETER: 14.76 M AND USEFUL VOLUME: 4,600 M<sup>3</sup>) TO BE INSTALLED AT THE INDIANA HARBOR WORKS, EAST CHICAGO; THIS INSTALLATION WILL INCLUDE A NEW 69 COKE OVEN BATTERY AT PRESENT UNDER CONSTRUCTION.  
END TEXT. INGERSOLL

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